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## **NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT**

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Release Date ~~NOV 28 1998~~

### **FINANCIAL AND COMPLIANCE AUDIT TOGETHER WITH INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 1998**

**Bruno  
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the  
**New Orleans Business and Industrial District**  
New Orleans, Louisiana

We have audited the accompanying general purpose financial statements of **New Orleans Business and Industrial District (NOBID)** as of and for the year ended December 31, 1998, as listed in the Table of Contents. These general purpose financial statements are the responsibility of **NOBID**'s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Commissioners of the  
**New Orleans Business and Industrial District**  
Page 2

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **New Orleans Business and Industrial District**, New Orleans, Louisiana as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 1999 on our consideration of **NOBID's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Bruno & Tervalon*  
**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

May 7, 1999

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
COMBINED BALANCE SHEET --  
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP  
DECEMBER 31, 1998**

	Governmental Fund Type - General Fund	Account Group - Fixed Assets	Total (Memorandum Only)
<u>ASSETS</u>			
Assets:			
Cash and cash equivalents (NOTE 2)	\$ 190,361	\$ -0-	\$ 190,361
Due from State of Louisiana	76,960	-0-	76,960
Funds available-City of New Orleans (NOTE 5)	28,234	-0-	28,234
Loan receivable (NOTE 3)	414,253	-0-	414,253
Interest receivable (NOTE 3)	12,612	-0-	12,612
Real estate deposit	10,000	-0-	10,000
Utility deposit	3,350	-0-	3,350
Furniture and equipment (NOTE 6)	-0-	79,695	79,695
Automobile (NOTE 6)	-0-	15,049	15,049
Building improvements (NOTE 6)	-0-	3,375	3,375
Building and land (NOTE 6)	-0-	2,738,972	2,738,972
Total assets	\$ 735,770	\$2,837,091	\$3,572,861
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 153,240	\$ -0-	\$ 153,240
Payroll taxes payable and accrued expenses	2,373	-0-	2,373
Due to the City of New Orleans	46,775	-0-	46,775
Other liabilities	1,386	-0-	1,386
Total liabilities	203,774	-0-	203,774
Fund equity:			
Investment in general fixed assets (NOTE 6)	-0-	2,837,091	2,837,091
Fund balance: Unreserved/undesignated	531,996	-0-	531,996
Total fund equity	531,996	2,837,091	3,369,087
Total liabilities and fund equity	\$ 735,770	\$2,837,091	\$3,572,861

The accompanying notes are an integral part of these  
general purpose financial statements.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>REVENUES</u>	
Taxes (NOTE 4)	\$ 269,995
Grant revenues (NOTE 8)	398,463
Rental income (NOTE 7)	345,850
Miscellaneous tenant fees	1,979
Other revenues	3,691
Interest income	<u>13,439</u>
 Total revenues	 <u>1,033,417</u>
<u>EXPENDITURES</u>	
Salaries	281,889
Payroll taxes	22,176
Employee insurance	24,697
Insurance	31,375
Office supplies	13,440
Telephone	17,868
Automobile expenses	5,918
Capital outlays (NOTE 6)	13,532
Bank charges	1,631
Repairs and maintenance	88,348
Utilities (NOTE 10)	55,523
Professional services-Regional Food Center	211,650
Professional services-Race Track Project	19,213
Professional services-other	175,971
Promotions	78,394
Dues and subscriptions	1,718
Postage	2,550
Printing	6,182
Photographic supplies	980
Research and development	3,931
Sites improvements	65,870
Workforce development and training expenditures	162,976
Miscellaneous	<u>523</u>
 Total expenditures	 <u>1,286,355</u>
Deficiency of revenues over expenditures	<u>(252,938)</u>
 Fund balance-beginning of year as previously stated	 774,934
Prior period adjustment (NOTE 13)	<u>10,000</u>
 Fund balance-beginning of year as restated	 <u>784,934</u>
 Fund balance-end of year	 <u>\$ 531,996</u>

The accompanying notes are an integral part of these  
general purpose financial statements.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL--  
GOVERNMENTAL FUND TYPE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Taxes (NOTE 4)	\$ 258,075	\$ 269,995	\$ 11,920
Grant revenues (NOTE 8)	547,520	398,463	(149,057)
Rental income (NOTE 7)	310,687	345,850	35,163
Miscellaneous tenant fees	-0-	1,979	1,979
Other revenues	-0-	3,691	3,691
Interest income	-0-	13,439	13,439
Total revenues	<u>1,116,282</u>	<u>1,033,417</u>	<u>(82,865)</u>
 <u>EXPENDITURES</u>			
Salaries	308,019	281,889	26,130
Payroll taxes	27,100	22,176	4,924
Employee insurance	33,350	24,697	8,653
Insurance	30,974	31,375	(401)
Office supplies	4,000	13,440	(9,440)
Telephone	12,211	17,868	(5,657)
Automobile expenses	5,000	5,918	(918)
Capital outlays (NOTE 6)	15,200	13,532	1,668
Bank charges	-0-	1,631	(1,631)
Repairs and maintenance	83,737	88,348	(4,611)
Utilities (NOTE 10)	119,463	55,523	63,940
Professional services- Regional Food Center	350,000	211,650	138,350
Professional services- Race Trace Project	19,213	19,213	-0-
Professional services-other	116,032	175,971	(59,939)
Promotions	87,000	78,394	8,606
Dues and subscriptions	1,925	1,718	207
Postage	4,000	2,550	1,450
Printing	6,000	6,182	(182)
Photographic supplies	2,500	980	1,520
Research and development	5,000	3,931	1,069
Sites improvements	30,000	65,870	(35,870)
Workforce development and training expenditures	178,307	162,976	15,331
Miscellaneous	-0-	523	(523)
Total expenditures	<u>1,439,031</u>	<u>1,286,355</u>	<u>152,676</u>
Excess (deficiency) of revenues over expenditures	<u>(322,749)</u>	<u>(252,938)</u>	<u>69,811</u>
Fund balance-beginning of year as previously reported	774,934	774,934	-0-
Prior period adjustment (NOTE 13)	-0-	10,000	10,000
Fund balance-beginning of year as restated	<u>774,934</u>	<u>784,934</u>	<u>10,000</u>
Fund balance-end of year	<u>\$ 452,185</u>	<u>\$ 531,996</u>	<u>\$ 79,811</u>

The accompanying notes are an integral part of these  
general purpose financial statements.

# NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Introduction

The **New Orleans Business and Industrial District (NOBID)** is a 7,000 acre Louisiana Enterprise Zone created by the Louisiana Legislature to attract new business and industry through incentives such as sales, use and property tax benefits. **NOBID** also encompasses a 92-acre Foreign Trade Zone which provides additional savings on duty fees.

In 1992, a special project referred to as the "Enterprise Center" (the Center) was initiated in an effort to promote economic growth in the City of New Orleans, by promoting business and industrial development in the district. The Center includes the following components designed to improve the development environment in New Orleans East:

- o Industrial/service based incubator;
- o Advanced technology institute; and
- o College extension programs.

**NOBID** is used to account for the operations of the district. Its financing sources are derived principally from the proceeds of 20 mills, or \$20 per \$1,000 of assessed value, which is levied on all property within the district for the purpose of constructing roads, sewerage, drainage, water supply systems and other infrastructure improvements to facilitate industrial development.

The Board of Commissioners is composed of twelve (12) member who are appointed by various organizations and public officials and serve without compensation.

### Basis of Presentation

**NOBID** is a special municipal district that was created under Louisiana Revised Statute 33:4701, as amended on June 28, 1995. Through **NOBID's** Board of Commissioners, **NOBID** has the power to acquire, construct, improve, maintain, and operate projects and to provide additional municipal services within the district.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Continued

Under GASB Statement No. 14, **NOBID** is considered a primary government and does not include any component units. **NOBID** has powers to incur debt, issue bonds, and sue and be sued. Also, the Board of Commissioners have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. **NOBID** has yet to receive an opinion from the State of Louisiana's Attorney General on its independence from the City of New Orleans. These financial statements include all of the funds and account groups and activities considered to be part of or controlled by **NOBID**.

Fund Accounting

The accounts of **NOBID** are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and one broad fund category as follows:

Governmental Fund Type

This is the fund type through which most governmental functions typically are financed. The following fund is used by **NOBID**.

General Fund -

The General Fund is the general operating fund of **NOBID**. It is used to account for all financial resources except those required to be accounted for in another fund or account group.

General Fixed Assets Account Group

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting, Continued

Basis of Accounting

The General Fund is accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Property tax collections are considered "measurable" when in the hands of the collecting agency and are recognized as revenue at this time.

Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Budgetary Data

**NOBID** follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Each year, **NOBID** is required to prepare a budget and submit it to the Board of Commissioners for approval.
2. Upon review and completion of all actions necessary to finalize and implement the budget, it is then adopted by the Board of Commissioners prior to the commencement of the fiscal year to which the budget applies.
3. Budgetary amendments involving the transfer of funds, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Commissioners.
4. All budgetary appropriations lapse at the end of each fiscal year.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing time deposits and money market accounts. Cash equivalents include amounts in short-term investments with original maturities of ninety (90) days or less. Under state law, **NOBID** may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Fixed Assets

Fixed assets are recorded as expenditures at the time purchased, and the related assets are reported in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Total Column on Combined Balance Sheet - Overview

The total column on the combined balance sheet - overview is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present the financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - CASH AND CASH EQUIVALENTS

**NOBID** had cash and cash equivalents totaling \$190,361 (book balances) at December 31, 1998, as follows:

Cash	\$ 42,245
Certificate of deposit	105,461
Money market funds	<u>42,655</u>
Total	<u>\$190,361</u>

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

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NOTE 2 - CASH AND CASH EQUIVALENTS, CONTINUED

Cash deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 1998, **NOBID** has \$255,147 in cash deposits (collected bank balances). These deposits are secured from risk by \$250,859 of federal deposit insurance and \$4,288 of pledged securities held by a custodial bank in the name of the fiscal agent bank (GASB Category 3).

Although the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by **NOBID** that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - LOAN RECEIVABLE

In 1996, the City of New Orleans, Economic Development Trust Fund (EDF) granted funds to **NOBID** in the amount of \$414,253 to attract industrial manufacturing facilities to the District. As such, **NOBID** provided a start-up/working capital loan to a Louisiana Corporation. The loan bears interest at 5.8%, with interest for seven (7) years and with principal and interest payments to begin eighteen (18) months from the beginning of the term which is, September 27, 1996. However, the first principal and interest payment date has been further deferred to August, 1999. The total amount of the loan is unsecured.

During the deferral period for payment of principal and interest, the accrual of interest has been discontinued. As such, no accrued interest was recorded to **NOBID**'s financial records during the 1998 fiscal year.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

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NOTE 4 - TAX REVENUES

Tax revenues represent the amount of property tax assessments collected by the City of New Orleans. Presently, the tax is 20 mills, or \$20 per \$1,000 of assessed value, which is levied on all property within the district for the purpose of constructing roads, sewerage, drainage, water supply systems and other infrastructure improvements to facilitate industrial development.

During the year ended December 31, 1998, tax revenues collected by the City of New Orleans for the **New Orleans Business and Industrial District** was \$269,995.

NOTE 5 - FUNDS AVAILABLE - CITY OF NEW ORLEANS

As of December 31, 1998, NOBID had \$28,234 available from the City of New Orleans (CNO). Below is the activity which took place during the year ended December 31, 1998.

Balance of funds due to CNO at December 31, 1997	\$ (8,720)
Tax revenues collected during 1998	<u>269,996</u>
 Total funds available	 <u>261,276</u>
Less:	
Amounts received from CNO	<u>(233,042)</u>
 Balance of funds available at December 31, 1998	 \$ <u><u>28,234</u></u>

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

**NOTE 6 - CHANGES IN GENERAL FIXED ASSETS**

A summary of the changes in general fixed assets is as follows:

<u>Description</u>	<u>January 1, 1998</u>	<u>Additions</u>	<u>December 31, 1998</u>
Furniture and equipment	\$ 66,162	\$ 13,533	\$ 79,695
Automobile	15,049	-0-	15,049
Building and land	2,738,972	-0-	2,738,972
Building improvements	<u>3,375</u>	<u>-0-</u>	<u>3,375</u>
	<u>\$2,823,558</u>	<u>\$ 13,533</u>	<u>\$ 2,837,091</u>

**NOTE 7 - OPERATING LEASE**

**NOBID** has entered into rental agreements with tenants which require monthly rental payments. These rental agreements expire on various dates during 1999 and 2002.

The following is a schedule by year of aggregate future minimum rentals of noncancellable operating leases as of December 31, 1998:

1999	\$298,526
2000	277,800
2001	277,800
2002	<u>143,272</u>
Total	<u>\$997,398</u>

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

**NOTE 8 - GRANT REVENUES AND EXPENDITURES**

In 1998, the State of Louisiana granted funds to **NOBID**. For the year ended December 31, 1998, **NOBID** earned and expended grant funds as follows:

<u>Grant Program/ Project</u>	<u>Funding Source</u>	<u>Revenue</u>	<u>Expenditure</u>
Race Track Project	State of LA	\$ 19,213	\$ 19,213
Workforce Development and Training Program	State of LA	167,600	162,976
Regional Food Center	State of LA	<u>211,650</u>	<u>211,650</u>
Total		<u>\$398,463</u>	<u>\$393,839</u>

**NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value of all significant financial instruments have been determined by the organization utilizing available market information and appropriate valuation methodologies. **NOBID** considers the carrying amounts of cash and loan receivable to be fair value.

**NOTE 10 - UTILITIES**

For tenants leasing warehouse space and certain other tenants, **NOBID** charges those tenants for utility use. At December 31, 1998, utilities expense is calculated as follows:

Utilities expense	\$141,496
Billings to tenants	<u>(85,973)</u>
Net utilities expense	<u>\$ 55,523</u>

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

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NOTE 11 - RISK MANAGEMENT

**NOBID** is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which **NOBID** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 12 - HOT TAX FUND

Effective July 1, 1997, Act No. 1423 of the 1997 Regular Session of the State of Louisiana dedicated in a special fund (Hot Tax Fund) the 1% portion of the State's 3.97% sales and use tax on hotel/motel room rentals in Orleans Parish. Nine (9) entities including **NOBID** were identified to receive a distribution of the monies in the Hot Tax Fund.

Before any distribution from the Hot Tax Fund is made, written approval must be made to the State and a budget for the use of the monies must be presented to the State.

At the end of the State's June 30, 1998 fiscal year, approximately \$1,900,000 were available for distribution to **NOBID**; however, at December 31, 1998 **NOBID** had not made a request to drawdown these monies.

**NOBID** is currently preparing documents that are required for the drawdown of **NOBID**'s distributable share of Hot Tax Fund monies collected and to be collected by the State in its 1998 and 1999 fiscal years.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

Fund balance at the beginning of the year has been restated to reflect an asset for real estate deposits that existed in 1997 and had been inadvertently expensed. The effect of the restatement was to increase excess revenues over expenditures for 1997 by \$10,000.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,  
CONTINUED**

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NOTE 14 - YEAR 2000 (Y2K) ISSUE

**NOBID** recognizes the potential implications of the Y2K issue on systems that may contain date-related transactions, data, embedded chips, etc. **NOBID** has assessed the impact of the Y2K issue on its operations and has renovated or replaced, as necessary, the computer applications and business processes to provide for continued services in the new millennium. An assessment of the preparedness of external entities that interface with **NOBID** is also ongoing.

The costs of **NOBID**'s Y2K compliance efforts are expensed as incurred and are being funded with cash flows from operations. At this time, the costs of these efforts are not expected to be material to **NOBID**'s financial position or the results of its operations in any given period.

Time and cost estimates are based on currently available information. Actual results could differ from those estimated.

**& Tervalon**

MICHAEL B. BRUNO, CPA  
ALCIDE J. TERVALON, JR., CPA  
WALDO J. MORET, JR., CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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To the Board of Commissioners of the  
**New Orleans Business and Industrial District**  
New Orleans, Louisiana

We have audited the general purpose financial statements of **New Orleans Business and Industrial District (NOBID)** as of and for the year ended December 31, 1998, and have issued our report thereon dated May 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether **NOBID's** general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **NOBID's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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**(CONTINUED)**

To the Board of Commissioners of the  
**New Orleans Business and Industrial District**  
New Orleans, Louisiana

internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of management, the State of Louisiana, and the Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by **NOBID** and the State of Louisiana, Legislative Auditor is a matter of public record.

*Bruno & Tervalon*  
**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

May 7, 1999

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 1998**

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We have audited the general purpose financial statements of **New Orleans Business and Industrial District** as of and for the year ended December 31, 1998, and have issued our report thereon dated May 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of December 31, 1998 resulted in an unqualified opinion.

1. Summary of Independent Auditors' Results

- A. Reportable conditions in internal control were disclosed by the audit of the financial statements: No Material weaknesses: No
- B. Noncompliance which is material to the general purpose financial statements: No
- C. Reportable conditions in internal control over major programs: N/A  
Material weaknesses: N/A
- D. The type of report issued on compliance for major programs: N/A
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: N/A
- F. Major programs: N/A
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A
- I. A management letter was issued: Yes

2. Financial Statement Findings

No matters were reported.

3. Federal Award Findings and Questioned Costs

Not applicable.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 1998**

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**1. INTERNAL CONTROL AND COMPLIANCE  
WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS**

No prior year audit findings reported.

**2. INTERNAL CONTROL AND FEDERAL COMPLIANCE**

No prior year audit findings reported.

**3. MANAGEMENT LETTER**

No prior year audit management letter comments.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
EXIT CONFERENCE**

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The audit report was discussed at a meeting held on June 28, 1999 and attended by:

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT**

Mr. James J. Hutchinson, Jr.	Finance Committee Chairman
Mr. Peter Hamilton	Finance Committee Member
Mr. Don Pellissier	Finance Committee Member
Mr. Kevin E. Williams	Finance Committee Member
Dr. Patricia W. Harris	Board Chairperson
Mr. Joseph M. Bistes, II	President

**BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA	Partner
Mr. Lawrence C. Jones, CPA	Supervisor

*Bruno & Tervalon*  
**BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS**

May 7, 1999

## INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Commissioners of the  
New Orleans Business and  
Industrial District  
New Orleans, Louisiana

We have audited the financial statements of New Orleans Business and Industrial District (NOBID) for the year ended December 31, 1998 and have issued our report thereon dated May 7, 1999.

In planning and performing our audit of the financial statements of NOBID for the year ended December 31, 1998, we considered NOBID's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The comments that accompanies this letter on pages three through ten summarizes our findings and recommendations regarding those matters. This letter does not affect our report dated May 7, 1999 on the financial statements of NOBID.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various NOBID personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

To the Board of Commissioners of the  
New Orleans Business and  
Industrial District  
Page 2

This report is intended solely for the use of management and the State of Louisiana, Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Bruno & Tervalon*

**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**May 7, 1999**

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS**

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**98-1     UNTIMELY STATUS OF MONITORS REPORTS**

A grant agreement between NOBID and the Louisiana Department of Economic Development (LDED) required NOBID to submit quarterly monitoring reports to LDED on the status of the Workforce Development and Training Program with a subrecipient that leases space in the NOBID facility. The first status report was due June 30, 1997. Based on information received from LDED, we noted that three (3) quarterly reports during the grant period were not timely filed.

According to the grant agreement, NOBID is required to submit quarterly monitoring reports through May 5, 2000. Therefore, we recommend that NOBID implement procedures to ensure that monitoring reports are submitted timely to the grantor.

**98-2     SECURITY FOR UNUSED CHECKS**

We noted during the 1998 audit that several unused checks were discovered missing from NOBID's office and one (1) of those checks in the amount of approximately \$900 was cashed before NOBID discovered that the checks were missing. Stop payments were then issued on the other missing checks.

Although NOBID has currently implemented new procedures to ensure that unused checks are securely kept to prevent unauthorized use, we recommend that NOBID continue these procedures to strengthen internal controls. Also, the check of approximately \$900 that did clear the bank has been turned over to the appropriate authorities for disposition.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS,  
(CONTINUED)**

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**98-3    CASH RECEIPTS**

We noted during our audit that cash receipts are being collected by NOBID's building director and the executive secretary. Cash receipts received in the mail are collected by the receptionist and building tenants' rents and other fees are typically paid directly to the building director.

We recommend that all cash receipts be collected by one (1) designated person independent of record keeping functions. This person should prepare a daily sheet listing all such receipts and immediately stamp checks "For Deposit Only". A copy of the listing would be sent to the person keeping accounting records for account distributions and subsidiary postings. Since NOBID has a limited number of staff personnel, either individual above can prepare and make daily bank deposits. At month end, the management of NOBID should match the daily cash receipts listings to deposits on the bank statements. We suggest that the daily cash receipts listing provide a line for the signature of the person who reviewed monthly deposits and approved account distributions.

**98-4    OUTSTANDING CHECKS**

In our 1998 cash test work, we noted that on the outstanding check listings many checks were outstanding over 90 days.

We recommend that NOBID establish and implement procedures to provide that checks outstanding over 90 days be investigated for their non-presentation.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS,  
(CONTINUED)**

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**98-5    VOID CHECKS**

We noted during our 1998 audit that many checks listed as outstanding were actually voided. However, these voided checks were recorded into the accounting records as being paid.

We recommend that NOBID immediately establish procedures to ensure that voided checks are not being recorded in the accounting records. Before sending cash disbursements records to its accountants for compiling financial statements, NOBID should verify that voided checks are not coded as cash disbursements.

**98-6    EXCESS BANK ACCOUNTS**

We noted during our 1998 audit that NOBID maintains twelve (12) bank accounts with six (6) financial institutions. Six (6) of these accounts have little or no monthly activity in which NOBID is charged service fees.

We recommend that NOBID review its banking activity and close bank accounts with little activity and similar purposes. Consideration should be given to financial institutions who will at all times provide pledge securities for bank deposits in excess of federal deposit insurance limits.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS,  
(CONTINUED)**

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**98-7    CHECKS NOT DUAL-SIGNED**

We noted during our 1998 review of paid checks that several checks were paid with only one (1) authorized signature. NOBID requires two (2) authorized signatures on each check.

In order to maintain adequate internal controls over cash disbursements, we recommend that NOBID follow current procedures which provide that all checks are to be signed by two (2) authorized officials.

**98-8    OFFICERS/DIRECTORS LIABILITY**

We noted during our audit that NOBID could not provide evidence of coverage of officers and directors liability insurance.

We recommend that NOBID obtain officers and directors liability insurance to reduce the loss that may arise against the Board of Commissioners.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS,  
(CONTINUED)**

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**98-9     INVOICE APPROVAL**

We noted during our 1998 test of expenditures that invoice approval was not always documented on invoices or in the disbursement package. Also, the original invoice was not always marked paid to prevent duplicate payment.

We recommend that NOBID review its invoice approval procedures to ensure that all cash disbursements are approved by appropriate persons and documented in disbursement packages and the invoice be stamped paid to prevent reuse.

**98-10    OVERPAYMENT OF VENDORS INVOICES**

During our test of expenditures we noted that a vendor invoice was overpaid by \$1,000.00. Also, the same vendor was paid twice on a different invoice for \$179.00.

We recommend that NOBID review its procedures to ensure that cash disbursements are only made for amounts that are supported by documentation. Once the cash disbursement is approved, officials authorized to sign checks should review the documents supporting the payment and perforate these documents at the time of signing the check to prevent them from being submitted for reuse.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS,  
(CONTINUED)**

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**98-11 ACCOUNTS PAYABLE**

We noted during our 1998 audit that payments to vendors were not always made on a timely basis. In one (1) instance a vendor's invoice, dated in 1996, was paid in 1998. We noted several other instances whereby vendors invoices remained unpaid over ninety (90) days.

We recommend that NOBID consider using an accounts payable application package (the package). The package is designed to monitor operating cash outflows and provide information which will aid in the control of the costs and expenses associated with the flows. Basically, this computer-based system should provide information on: (1) who NOBID owes money, (2) how much, (3) for how long, (4) checks to vendors, and (5) cash requirements.

**98-12 MAILING OF PAID CHECKS**

We noted during our 1998 audit that signed checks are returned to the person who prepares them for signatures to be mailed.

In order to strengthen internal controls over cash disbursements, we recommend that the signed checks not be returned to the custody of the employee who prepared them for signature. The official signing checks should maintain control of the checks until they are placed in the mail by a person who is independent of cash disbursement and accounts payable functions.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS,  
(CONTINUED)**

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**98-13 DUE TO THE CITY OF NEW ORLEANS (CNO)**

We noted during our 1998 audit that a liability to CNO totaling \$46,775 has been outstanding since 1995.

We recommend that NOBID meet with representatives of CNO to settle the debt by paying the debt in full or by requesting that the CNO grant the amount to NOBID for future or past services related to the original transaction.

**98-14 DEFICIT SPENDING**

At December 31, 1998 and 1997, NOBID had deficiencies of revenues over expenditures totaling \$252,938 and \$122,594, as restated, respectively.

While we noted that NOBID's Board of Commissioners has adopted a balanced budget for 1999 and is currently monitoring its 1999 financial activity, we recommend that NOBID continue its procedures to timely compare actual to budgeted revenues and expenditures on a monthly basis to provide stronger controls over budgeting. As such, barring unexpected expenditures, NOBID should not experience deficit spending for the year ending December 31, 1999.

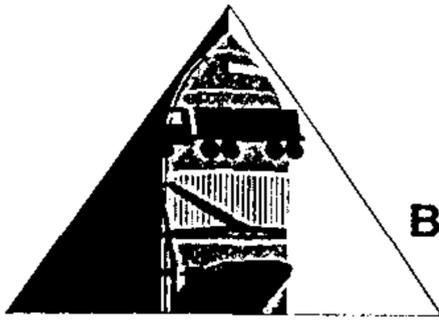
**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT  
CURRENT YEAR MANAGEMENT LETTER COMMENTS,  
(CONTINUED)**

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**98-15    SUPPORT FOR LONG DISTANCE TELEPHONE CHARGES**

During our test of expenditures we noted that long distance telephone charges were not documented to indicate that the calls were made for the business purposes of NOBID.

We recommend that a long distance telephone log be maintained to document the business purpose of long distance calls. We also recommend that each month the receptionist or secretary review the telephone bills and match the calls on the bills with the telephone log. Any calls that cannot be matched should be researched as to whether it was non-related NOBID's business and brought to the attention of the appropriate person.



**NEW ORLEANS  
BUSINESS & INDUSTRIAL DISTRICT**



MIKE FOSTER  
GOVERNOR



MARC HAYDEL MORIAL  
MAYOR

June 25, 1999

**BRUNO & TERVALON**  
Certified Public Accounts  
650 S. Pierce Street, Suite 203  
New Orleans, LA 70119

Dear Gentlemen:

Outlined below is our response and management's corrective action plan in connection with your audit of NOB&ID for the year ended December 31, 1998.

**MANAGEMENT'S COMMENTS TO INDEPENDENT AUDITOR**

- 98-1 All monitoring reports to the Louisiana Department of Economic Development are now current. The responsibility for monitoring and submitting reports to the grantor have been reassigned to the President of the agency. One remaining report is due June 5, 2000.
- 98-2 After the incident, our office has implemented new procedures for the accounts payable office and the Staff position responsible for those duties. They include new high security locks, no other personnel is allowed in office other than appropriate Staff person and checks are never left unattended when they are not secured in the safe. The banking institution has notified us that they will reimburse our agency for the amount in question.
- 98-3 The Building Director is designated as the person responsible to collect rents and other fees assessed to tenants and prepare a daily sheet listing all such receipts and immediately stamp checks "For Deposit Only." Per your recommendation, a copy of the listing will be sent to the Executive Assistant position, responsible for keeping accounting records for account distribution and subsidiary postings. At month's end, the President will be responsible for matching daily cash receipts listings to deposits on the bank statements. Forms to implement this procedure have been created and are now in place.

- 98-4** The Staff position responsible for keeping accounting records for account distribution will be responsible for investigating checks 90 days outstanding. A request will be made to your firm to notify the President of the agency if the procedure is not adhered to as they assist the agency in compiling the monthly financial statements of the agency.
- 98-5** The Staff position responsible for keeping accounting records for account distribution and subsidiary postings will be responsible to ensure that voided checks are not being recorded in the accounting records. A request will be made to the to your firm to notify the President of the agency if the procedure is not adhered to as they assist the agency in compiling the monthly financial statements of the agency.
- 98-6** Our agency has already closed accounts and are currently reviewing the remaining accounts to determine where further consolidation may be taken while ensuring that all bank deposits in excess of Federal deposit insurance limits are secured by additional securities by that banking institution.
- 98-7** In order to ensure adequate controls over cash disbursements and that two authorized signatures are present on each check the following internal controls will be established. All checks will be inspected prior to being mailed by the President. All monthly bank statements and canceled checks will be reviewed by the President. The bank statements will be initial as evidence of such review.
- 98-8** Our agency obtained Officers & Director's insurance. This insurance has been in force since January 6, 1999. An insurance binder has been provided to our office by the insurance company. The coverage is \$1,000,000.00
- 98-9** A new expenditure request form has been developed to process account payables. Policy has been established that checks will not be issued without this form properly filled out. All checks, with no exceptions, are then presented to the President with proper documentation attached by the Executive Assistant for review and the President's signature. After the President signs the check only then is it presented to an officer of the agency for the second signature.
- 98-10** The procedure outline in 98-9, in addition to your recommendation of our auditor to perforate these documents at the time of signing the check to prevent them from being submitted for reuse will be enacted.
- 98-11** An accounting computer program will be purchased and installed to provide an accounts payable aging report and assist with issuing checks to vendors. The Staff person responsible for performing in house accounting services will be responsible for issuing these reports monthly for review by the President and Finance Committee of the Board of Commissioners.

- 98-12 Henceforth, after checks with proper documentation have been signed by the President and one officer of the Board, the checks will be returned to the President for mailing. The President will utilize the Executive Secretary to place these checks in the mail.
- 98-13 The issue originally concerns a grant by the City of New Orleans to our agency to purchase a piece of property to house our agency. In addition, to the purchase price and closing cost to purchase the property. There were other cost directly attributed to the purchase of the property (building insurance, utility deposits, etc.). A significant portion of the amount in question was utilized by our agency for these direct cost and were never charged against the funds received from the City. These items have been discussed with the auditors. Documentation of these items will be provided to the auditors for further analysis. The cost of these items directly attributed to the purchase of the property will substantially reduce, if not entirely eliminate the amount concerning this item.
- 98-14 At the beginning of the fiscal year the Board of Commissioners approved a balance budget for the year ending December 31, 1999. Monthly unaudited compiled financial statements are reviewed by the Finance Committee. These financial statements compare the monthly and year to date budget with actual revenues and expenses. It is the President's and Finance Committee intent to continue to produce timely monthly financial statements comparing the budget with actual results and if needed reduce expenses to prevent a deficiency of revenues over expenses by year ending December 31, 1999.
- 98-15 Review of our telephone system will occur to determine if a program maybe implemented to provide documentation and restriction to ensure long distance calls are for business use only. During the interim, a manual phone log will be distributed to Staff for use in conjunction with long distance calls. These logs will be monitored by a Staff person designated by the President. This will also apply to the use of cellular phones by the Staff.

Although many of the findings have been corrected, as President of the agency working the appropriate Staff person, I will ensure the remaining items will be addressed within 90 days.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Joseph M. Bistes, II  
President

JMB/ceb-p